

Individual State Agency Fiscal Note

Bill Number: 5326 SB	Title: Vehicle insurance verif.	Agency: 240-Department of Licensing
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2024	FY 2025	2023-25	2025-27	2027-29
Driver Licensing Technology Support Acct-State 25W-1		110,029,000	110,029,000	453,244,000	467,026,000
Total \$		110,029,000	110,029,000	453,244,000	467,026,000

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	9.2	18.2	13.7	17.2	17.2
Account					
Highway Safety Account-State 106 -1	1,510,000	2,210,000	3,720,000	4,062,000	4,062,000
Total \$	1,510,000	2,210,000	3,720,000	4,062,000	4,062,000

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Brandon Popovac	Phone: 360-786-7465	Date: 01/16/2023
Agency Preparation: Ellie Gochenouer	Phone: 360-901-0114	Date: 01/20/2023
Agency Approval: Gerrit Eades	Phone: (360)902-3863	Date: 01/20/2023
OFM Review: Kyle Siefering	Phone: (360) 995-3825	Date: 01/23/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

See attached fiscal note

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

See attached fiscal note

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

See attached fiscal note

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
106-1	Highway Safety Account	State	1,510,000	2,210,000	3,720,000	4,062,000	4,062,000
Total \$			1,510,000	2,210,000	3,720,000	4,062,000	4,062,000

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	9.2	18.2	13.7	17.2	17.2
A-Salaries and Wages	563,000	1,100,000	1,663,000	1,944,000	1,944,000
B-Employee Benefits	230,000	452,000	682,000	830,000	830,000
C-Professional Service Contracts					
E-Goods and Other Services	663,000	658,000	1,321,000	1,288,000	1,288,000
G-Travel					
J-Capital Outlays	54,000		54,000		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	1,510,000	2,210,000	3,720,000	4,062,000	4,062,000

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Contracts Specialist 2	69,756	0.7	1.5	1.1	1.5	1.5
Customer Service Specialist 2	46,980	4.6	9.3	7.0	9.3	9.3
Customer Service Specialist 4	54,492	0.5	1.0	0.8	1.0	1.0
IT Project Management - Manager	127,656	0.5	1.0	0.8		
Licensing Services Representative 4	75,120	1.0	2.0	1.5	2.0	2.0
Management Analyst 3	71,520	0.5	1.0	0.8	1.0	1.0
Management Analyst 5	91,524	0.3	0.3	0.3	0.3	0.3
Tax Policy Specialist 3	96,156	0.1	0.1	0.1	0.1	0.1
Vehicle Services Liaison Officer 2	58,704	1.0	2.0	1.5	2.0	2.0
Total FTEs		9.2	18.2	13.7	17.2	17.2

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

See attached fiscal note

Individual State Agency Fiscal Note

Agency 240 – Department of Licensing

Bill Number: SB 5326

Bill Title: Vehicles Insurance Verification

Part 1: Estimates

No Fiscal Impact

Estimated Cash Receipts:

INDETERMINATE, PLEASE SEE NARRATIVE

Estimated Expenditures:

		FY 24	FY 25	23-25 Total	25-27 Total	27-29 Total
FTE Staff Years		9.2	18.2	13.9	17.2	17.2
Operating Expenditures	Fund	FY 24	FY 25	23-25 Total	25-27 Total	27-29 Total
Highway Safety	106	1,510,000	2,210,000	3,720,000	4,062,000	4,062,000
Account Totals		1,510,000	2,210,000	3,720,000	4,062,000	4,062,000

The revenue and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions.

- If the fiscal impact is **less than \$50,000** per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- If fiscal impact is **greater than \$50,000** per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Brandon Popovac	Phone: (360) 786-7465	Date: 01/16/2023
Agency Preparation: Ellie Gochenouer	Phone: (360) 634-5082	Date: 01/19/2023
Agency Approval: Gerrit Eades	Phone: (360) 902-3931	Date:

Request #	1
Bill #	5326 SB

Part 2 – Explanation

This bill requires DOL to establish an insurance verification system. DOL may use this system to verify insurance at the time of registration and renewal, and at random intervals for insurance requirement violators. DOL may impose a \$250 penalty if the system check shows that a vehicle owner has no insurance coverage. The system may be piloted starting January 2024, and must be operational by January 1, 2025. DOL is required to report on the costs and the effectiveness of the insurance verification system at reducing the number of uninsured vehicles by October 1, 2026.

2.A – Brief Description Of What The Measure Does That Has Fiscal Impact

Section 1: New Section in RCW 46.16A (Registration)

- Requires Department of Licensing (DOL) to establish an insurance verification system.
- Insurance verification system must respond to requests within a time period established by the Department in rule.
- DOL may contract with third party providers to implement the verification system.
- Insurers must comply with department rules regarding insurance verification.
- Commercial vehicles not required to participate, may do so voluntarily.
- DOL may pilot within the first 12 months of the effective date of this section.
- System must be operation by January 1, 2025.

Section 2: Amends RCW 46.16A.130 (Notice of liability insurance requirement.)

- DOL may verify a vehicle owner’s insurance status at the time of original registration or renewal for selected vehicle types.
 - Excludes campers, mopeds, off-road vehicles, snowmobiles, and WATVs.
- DOL also may verify insurance status at least twice every year at random intervals for vehicle owners with previous violations of RCWs 46.30.020 through RCW 46.030.040.
- DOL may impose a \$250 penalty if the insurance check shows that a vehicle owner does not have insurance.
- DOL may adopt rules to implement, including the process of imposing and collecting penalty amounts and the number of violations required to trigger random verifications.

Section 3: Amends RCW 46.030.020 (Liability insurance or other financial responsibility required—Violations—Exceptions.)

- Clarifies when insurance proof violations may be enforced by law enforcement.

Section 4: Amends RCW 46.63.110 (Monetary penalties.)

- Permits money from the Driver Licensing Technology Support Account to be used to fund the initial and ongoing costs of the motor vehicle insurance verification system established under Section 1.

Section 5: Amends RCW 46.68.067 (Driver licensing technology support account.)

- Permits money from the Driver Licensing Technology Support Account to be used to fund the initial and ongoing costs of the motor vehicle insurance verification system established under Section 1.

Section 6: New Section

- Requires report from DOL by October 1, 2026 on costs incurred by DOL, insurers, and the public, and on the effectiveness of the system in reducing the number of uninsured vehicles.

Section 7: New Section

- Rulemaking authority.

Section 8: Effective date

- Sections 1 through 6 of this act take effect January 1, 2024.

2.B - Cash receipts Impact

Cash receipts impacts are indeterminate. The bill requires DOL to establish an insurance verification system, and may collect the penalty if a vehicle insurance is not confirmed. Since there is no internal ruling established yet and the uninsured share of the vehicles is unconfirmed, the revenue impact is indeterminate increase.

For demonstration purpose we provide a rough data model illustrating the scale of collections. Following assumptions are used in this estimate:

Revenue	Fund	FY 24	FY 25	23-25 Total	25-27 Total	27-29 Total
Driver Licensing Technology Support Acct	25W	-	110,029,000	110,029,000	453,244,000	467,026,000
Account Totals		-	110,029,000	110,029,000	453,244,000	467,026,000

- An estimate is based on Vehicles paying Basic License Fee counts, November 2022 forecast by WADOT.
- Applied 19.3% share of potentially uninsured vehicles (per DOL's Drivers involved in crashes data).
- Applied 25% adjustment as non-collectable (due to people leaving the state, low income hardships and other unknown factors).
- This model is not including the human behavioral changes.
- It is assumed there is no penalty assessed during the pilot year to allow the implementation issues to be resolved.

2.C – Expenditures

Assumptions:

- DOL assumes that 1 in 5 drivers in Washington State is uninsured.
- DOL assumes we would catch 50% of them in this process, which would be 700,000 people in violation of bill requirements.
- Based on current vehicle connections with NMVITIS, which is the only other similar connection we can pull assumptions from, it errors off 20% of the time, this would leave 140,000 new work items for DOL to complete manually.
- DOL assumes of customers impacted annually, 5% of those will be at a Vehicle Licensing Office with related issue and will require support for assistance resulting in 18,850 calls increased annually.

Workforce assumptions

- Assuming a 5 min touch time on the 140,000 work items that is 700,000 min and each FTE can do 88,320 min per FY year, which would be 8.3 FTEs needed for the manual error off work items ongoing.
- With the additional 8.3 FTEs Customer Service Specialist 2 to process the work items, 1.0 FTE Customer Service Specialist 4 is needed to manage them ongoing.

- To manage the policies, rulemaking, and reporting required for this bill DOL assumes 1.0 FTE Management Analyst 3 ongoing.
- To develop and maintain a new forecast for the penalty fee revenue for this bill DOL assumes .1 FTE Tax Policy Specialist 3 ongoing.
- To manage increased data analysis DOL assumes .3 FTE Management Analyst 5 ongoing.
- To manage the increased contracts DOL assumes 1.5 FTE Contracts Specialist 2 ongoing.
- To manage increased calls in Vehicle Licensing Offices DOL assumes 2.0 FTE Vehicle Services Liaison Officer 2 and 1 FTE Customer Service Specialist 2 ongoing.
- To manage increased escalated emails and calls DOL assumes 2.0 FTE Licensing Service Representative 4 ongoing.
- To manage the implementation plans, communication, and training DOL assumes 1.0 FTE Project Manager one-time.

Information Services:

The agency will use appropriated funds to hire contract programmers to accomplish this work or to support current staff implementing this legislation within the required timeline. Appropriated funds may also be used to hire agency temporary staff to support permanent staff assigned to this legislative effort.

Any change requires a process to ensure changes are correctly applied to the system. This involves Project Managers that manage the team that completes the update, business analyst that documents and reviews the system changes, architect services that analyzes how the update could have an effect on other systems or DOL processes, developers who create the change, and testers and quality assurance teams that ensure the update is working correctly.

DOL will complete the following:

- New DRIVES Interface to establish an online verification of motor vehicle insurance system(s) and requires all motor vehicle liability insurers to provide policy information to the system. (120 hours per Insurance Company if no Central Interface Exists)
- Modify Washington State Patrol (WSP) Interface to provide law enforcement personnel access to insurance verification data.
- Create new "Insurance Validation" page\ section in DRIVES for insurance verification during a transaction (Dept Temp; Original; Renewal; Transfer).
 - Create Validation box confirming customer has insurance.
 - Mapping of the insured for reporting purposes.
 - Create insurance exemption options for customers that meet the exemptions.
 - Mapping of the exemptions for reporting purposes.
- New logic to conduct an inquiry for Insured when processing Mail-In Renewals. (Real Time)
- Modify batch renewals process to include option for renewals that include insurance proof.
- Add indicator during selection of renewal notice if the vehicle has no insurance.
- Must be able to remove an indicator manually cease the insurance indicator.
- New logic to call Insurance interface during email\renewal notice process (with and without violations). New job inserted into the process.
- Biannual validation checks on vehicles with indicators of no vehicle insurance.

- Add \$250 Penalty if no insurance is found during Biannual validation.
- Create new letter or modify Renewal Notice if a no insurance is found when pulling mailed renewal notices.
- Create new message if no insurance is found when pulling email renewal notices.
- Collect new insurance verification fee on initial/renewal vehicle registrations.
- New logic to conduct an inquiry for insurance when processing online Renewals. (Real Time)
- Modify Driver and Plate Search (DAPS) Interface for Courts and Law Enforcement to include insurance data.
- Three Standard Reports
 - Renewal of insurance notices sent to customers
 - VLO Activities stopped
 - Vehicles insured\compliant and Vehicles not insured

Cost Category	Description	Rate	2024	2025	2026	2027	2028	2029	Total Cost
TESTER	Test to verify individual components meet requirements; ensure that other business transactions have not been impacted.	\$ 22,620	70,100	-	-	-	-	-	70,100
BUSINESS ANALYST	Determine business requirements; translate requirements into what changes are needed to various systems including account codes, inventory codes, testing considerations, etc.	\$ 16,530	14,900	-	-	-	-	-	14,900
PROJECT MANAGER	Manage schedule and contracts	\$ 28,710	20,100	-	-	-	-	-	20,100
SECURITY AND ARCHITECT SERVICES	Create the conceptual model that defines the structure, behavior and framework of a computerized system including a breakdown of the system into components, the component interactions and interfaces (including with the environment, especially the user), and the technologies and resources to be used in the design.	\$ 16,530	8,300	-	-	-	-	-	8,300
SERVER & NETWORK SUPPORT	Services such as network infrastructure, cloud infrastructure, firewall and load balancing. Installations, maintenance, troubleshooting of server systems, and management of Windows-based systems to ensure reliability for clients.	\$ 16,530	-	1,700	1,700	1,700	1,700	1,700	8,500
DEVELOPERS	Modify programming and coding to all major systems	\$ 19,140	-	3,800	3,800	3,800	3,800	3,800	19,000
CONTRACTED FAST DEVELOPER / TESTER	Updates to the DRIVES system will require additional vendor hours outside of the contracted maintenance to make system updates to implement this bill.	\$ 37,236	122,900	-	-	-	-	-	122,900
Trainer	Trains business partners and employees in new system processes and capabilities.	\$ 22,620	20,400	-	-	-	-	-	20,400
Project Contingency	Office of the Chief Information Officer designated rate of 10%	\$ 25,474	25,700	600	600	600	600	600	28,700
Totals			282,400	6,100	6,100	6,100	6,100	6,100	312,900

Support Services:

Agency Administrative Overhead is included at a rate of 23.4 percent of the direct program costs. This funding received covers agency-wide functions such as vendor payments, contract administration, financial management, mail processing, equipment management, help desk support, and technical assistance to DOL employees.

Part 3 – Expenditure Detail

3.A – Operating Budget Expenditures

Operating Expenditures	Fund	FY 24	FY 25	23-25 Total	25-27 Total	27-29 Total
Highway Safety	106	1,510,000	2,210,000	3,720,000	4,062,000	4,062,000
Account Totals		1,510,000	2,210,000	3,720,000	4,062,000	4,062,000

3.B – Expenditures by Object or Purpose

Object of Expenditure	FY 24	FY 25	23-25 Total	25-27 Total	27-29 Total
FTE Staff Years	9.2	18.2	13.9	17.2	17.2
Salaries and Wages	563,000	1,100,000	1,663,000	1,944,000	1,944,000
Employee Benefits	230,000	452,000	682,000	830,000	830,000
Goods and Services	663,000	658,000	1,321,000	1,288,000	1,288,000
Equipment	54,000	-	54,000	-	-
Total By Object Type	1,510,000	2,210,000	3,720,000	4,062,000	4,062,000

3.C – FTE Detail

Staffing	Salary	FY 24	FY 25	23-25 Total	25-27 Total	27-29 Total
Customer Service Specialist 2	46,980	4.6	9.3	7.0	9.3	9.3
Vehicle Services Liaison Officer 2	58,704	1.0	2.0	1.5	2.0	2.0
Licensing Services Representative 4	75,120	1.0	2.0	1.5	2.0	2.0
Management Analyst 5	91,524	0.3	0.3	0.3	0.3	0.3
Customer Service Specialist 4	54,492	0.5	1.0	0.8	1.0	1.0
Management Analyst 3	71,520	0.5	1.0	0.8	1.0	1.0
Tax Policy Specialist 3	96,156	0.1	0.1	0.1	0.1	0.1
Contracts Specialist 2	69,756	0.7	1.5	1.1	1.5	1.5
IT Project Management - Manager	127,656	0.5	1.0	0.8	0.0	0.0
Total FTE		9.2	18.2	13.9	17.2	17.2

Part 4 – Capital Budget Impact

None.

Part 5 – New Rule Making Required

Rulemaking is required to implement vehicle insurance verification.